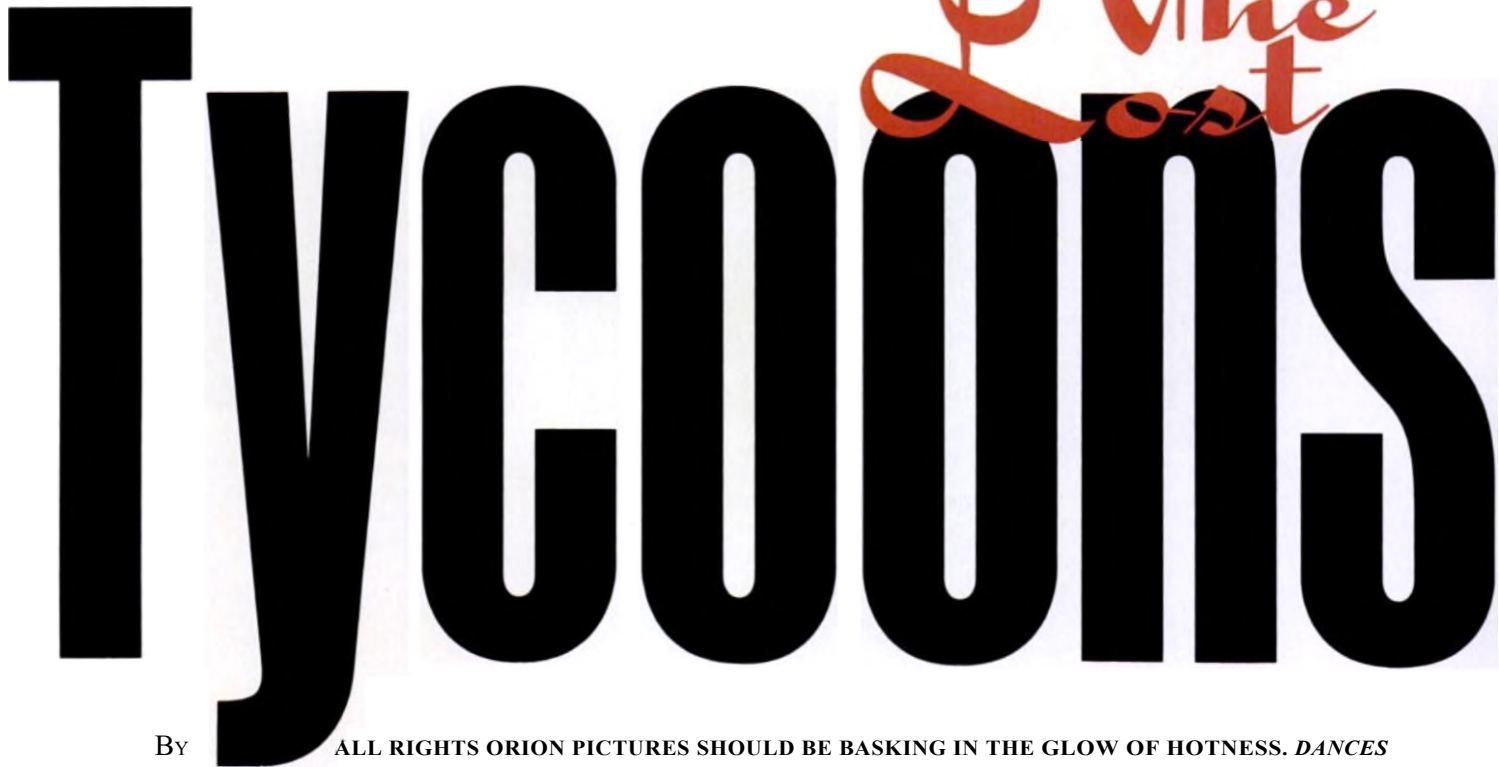


Nothing, it seems, can rescue Orion Pictures

from its chronic cash shortage not a history of classiness, not Woody Allen, not a billionaire backer, not even *Dances With Wolves*. MARK LASSWELL looks at the debt-addled, incompetently managed studio where things have got so bad that even the Japanese are in no hurry to take over from

Tycoons



BY **ALL RIGHTS ORION PICTURES SHOULD BE BASKING IN THE GLOW OF HOTNESS. *DANCES With Wolves*, a film that no other studio would touch, won seven Oscars at this year's Academy Awards. *The Silence of the Lambs* was the first certifiable hit of 1991. Earlier this year, Orion had 13 films in simultaneous production, a company record. And, of course, Orion is where Woody makes his movies. But while practically any other studio would be toasting its good fortune, anticipating a windfall at the box office and additional clout at its spring-time deal-making sessions, Orion's executives are literally begging for cash and selling off valuable studio assets as if presiding over a going-out-of-business sale—which they may very well be.**

The combination of managerial boneheadedness and a succession of pricey clunkers (beginning in 1989 with *Valmont*, *Great Balls of Fire* and *She-Devil* and continuing through last summer with *RoboCop 2*, *Cadillac Man*, *Navy SEALs* and *State of Grace*) has left Orion in humiliatingly bad financial shape; debts have run up above \$500 million (from \$165-

million five years ago), the company's stock price has plummeted to less than half what it was last spring, and Standard & Poor's has lowered the company's rating from B to B- to CCC+, a grade that classifies Orion's bonds as speculative.

And so the recent spate of good news is tempered by the consequences of the shortsighted deals the studio has been obliged to make to remedy its chronic shortage of funds. Sure, *Dances With Wolves* generated revenues of \$122 million in the United States, but Orion never owned the film's foreign rights, which could equal or surpass the domestic take. Furthermore, the studio, desperate for cash, last year sold the foreign video rights to 50 of its films to

Orion has Woody Allen, Kevin Costner and the *RoboCop* series—and, alas, production president Marc Platt (at left, with doll).



the Sony subsidiary Columbia Pictures for \$175 million — a good deal for the Japanese, since one *Dances*-caliber blockbuster alone could eventually make that much in overseas video revenues. Orion won't get much of *The Silence of the Lambs*'s profits either: desperate for cash, the studio last year made a deal with its majority shareholder, Metromedia chairman John Kluge, in which Kluge was promised a substantial cut off the top of any profits from the film *Mermaids* in return for an immediate \$23 million cash infusion; in the event that *Mermaids*'s receipts proved disappointing — which they did — Kluge would skim off some of the profits from *Lambs*. As for the studio's record-setting production slate, well, now it seems that 13 films is more than Orion can handle: desperate for cash, the studio sold the rights to *The Addams Family* to Paramount Pictures and is shopping around four other unreleased films — *Bill & Ted's Excellent Adventure II*, *RoboCop 3*, *The Favor* and *There Goes My Baby*.

The one consolation for Orion's current management is that investors are easily wowed, and the studio's recent Academy Award successes have rallied Orion's stock well above its pre-*Dances* low of \$6.88 a share (but still well below its February 1990 peak of \$23.50). So now, when some Far Eastern electronics behemoth ingests Orion in anticipation of the (unproven) bonanza that will result from having the new owner's name on movies being played on VCRs and television sets that already bear the company's name, or when some publishing-theme-park-film-production colossus picks up the studio simply for its library and distribution system, Orion executives — those who hold company stock, anyway — will enjoy a fine payday before being told to get lost.

"When somebody buys that company," says a representative for an interested buyer, "they're going to have to recapitalize it ferociously and basically restaff it."

One buyout scenario has Sony purchasing the studio and installing the management of Castle Rock Entertainment, the small, smart film-and-TV-production company founded in 1987 by the director Rob Reiner and four other partners. The stylish Castle Rock is one-third owned by Columbia, whose stake in the stylish Orion's foreign rights makes Sony a logical acquirer of both studios. Someone familiar with Sony's negotiations with Salomon Brothers, the investment-banking concern retained by Orion to find new sources of capital, says Castle Rock managing partner Alan Horn will run Orion if the deal goes through. (A Castle Rock takeover would also create the fascinating possibility that Woody Allen would have to report to his worshiper and onetime imitator Reiner. "Rob would have an orgasm if Woody had to pitch his story ideas to him," says a former Castle Rock employee.)

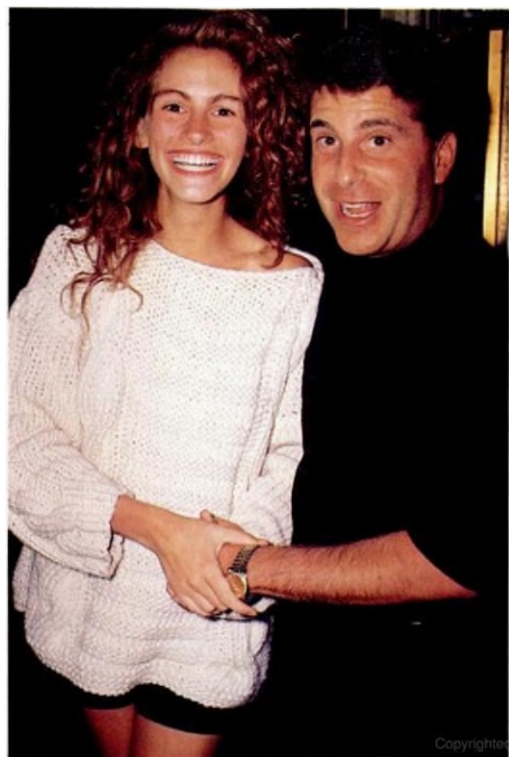
The personnel purge is deemed necessary because Orion's remaining founders—Arthur Krim, Eric Pleskow and William Bernstein — are seen as out-of-touch old-timers, while the younger of the studio's helmsmen, the executives who are supposed to lead Orion into the twenty-first century, are considered by their peers to be timeserving twits better suited to the business-affairs department than the creative head office. Take, for example, production president Marc Platt, who landed in his job last spring after Mike Medavoy, another of Orion's founding partners, was sacrificed to placate stockholders who were aghast at the Old Guard's sudden propensity for green-lighting bombs of the *Everybody Wins* ilk.

As Orion's new high-profile schmoozer — in casinos they call them greeters; in Hollywood they call them presidents — Platt, a senior vice president, was called upon to be the point man in the studio's relations with actors, directors and producers. It was a task handled expertly by Medavoy, a well-connected former agent who now heads

Credits and debits: For every Orion megahit like *The Silence of the Lambs* there have been umpteen failures of the *She-Devil* kind; for every *Dances With Wolves*, a litany of *Lone Wolf McQuades*.



"THE PEOPLE WE MET FROM ORION WERE THE
OF TWO RECENT ORION PICTURES. "THEY SEEM



Columbia's Tri-Star subsidiary. But Platt, only 33 and without much of a show biz pedigree, seemed ill suited to kiss up to his artists and assemble an impressive display of photographs of himself with famous people, as Medavoy did. And so Platt's elevation, along with his youth, ready smile, reddish-blond hair and general greenness, earned him a special nickname in the industry: the Dan Quayle of Hollywood. "I would never in a million years talk to Marc Platt and think he had an original opinion about anything having to do with the movies," says a former associate.

The nickname may be generous to Quayle: Platt has a knack for office intrigue and politicking. One former assistant remembers receiving orders from Platt to sneak into another executive's office and steal a copy of a study the executive had written; Platt was supposed to give a speech on the same topic and apparently planned to pass off his colleague's conveniently assembled research as his own. But the assistant, aware of Platt's talent for Byzantine office string-pulling, realized that even though Platt might have fully intended to appropriate his colleague's work, it was equally likely that he had gone to the paper's author and arranged the heist as a loyalty test, to see what the assistant would do. So the assistant respectfully declined the mission and kept busy with more ordinary tasks, like reading movie scripts and providing Platt with opinions on them.

E SMILEY IDIOTS FROM THE PLANET GONG," SAYS A VETERAN TO HAVE THE WRONG IDEA OF WHAT IT'S LIKE TO MAKE MOVIES"

"I don't think he would really try to hurt anyone," the former assistant says now. "But at the same time, he doesn't think stepping on people's heads to get where he wants to go is really hurting them."

And now that Platt has got where he wants to go — having ridden to an executive position that calls on him, for the first time in his life, to do more than be bright-eyed and boyish around older men — he's in way over his head. Upon his ascension to the production presidency, Platt revamped the production staff and threw his immediate support behind *Clifford*,

a comedy starring Martin Short as a ten-year-old child, and *The Addams Family* and *Car 54, Where Are You?*, two remakes of 1960s television shows. Platt's relentlessly adolescent tastes seem to have convinced many in the movie community that

Orion can never again hit its mid-eighties stride, when *Amadeus* (1984) and *Platoon* (1986) won best-picture Oscars and the studio, synonymous with *class* — remember Woody! — was turning out hits consistently.

"[Platt's] pretty bad," says the producer of one of Orion's biggest recent hits. "He seems nervous... like a guy thrust into a job that might be bigger than him." A production-crew veteran of two recent Orion pictures has an even harsher estimate of Platt and his staff. "The people we met from Orion were these smiley kind of idiots from the planet Gong," he says. "If they got a decent crew in there, they could probably turn the company around, but they seem to have the wrong idea of what it's like to make movies."

That's a particularly galling criticism of the company founded in 1978 by Krim, Pleskow, Bernstein, Medavoy and the late Robert Benjamin. If anyone knew what it took to get movies made, Krim and Benjamin did. In 1951 the two of them, both smart, ambitious, well-connected lawyers, took over the failing United Artists company and promptly established a paradigm of low-overhead, artist-friendly studio management.

At the time, Hollywood was reeling from the Supreme Court's 1948 antitrust Consent Decree, which required big studios such as Paramount and MGM to divest themselves of the theater chains they owned and that they held captive to relentlessly mediocre but profitable and cheaply made formula pictures. The decree, along with the attrition of movie audiences caused by the advent of television, left the mammoth companies with the ruinously expensive trappings of studio film production — back lots, prop shops, warehouses, unionized technical staff and contracted players — but no reason to keep the machine churning. United Artists, though badly managed and losing money, wasn't saddled with production facilities or union agreements. Krim and Benjamin quickly exploited their company's advantages over the bigger, richer studios. Under their direction the New York-based company financed projects in exchange for distribution profits, which were

shared with independent producers who hired their own crews, cut their own deals with unions and never had to worry about being fleeced with studio overhead charges. To the professionals recently cut loose from the studio system, UA offered creative freedom and a chance to make money.

While the studio usually reserved the right to approve every aspect of a production — from the script, director and cast to the music, locations and labs — UA had neither a cash surplus nor an elaborate supervision system to monitor the productions it was financing. As a consequence, the ability of UA (and later Orion, which shares many of the same traits) to come up with successful projects hung on the ability of studio production executives to approve competent production teams and make the most of their limited supervision of the projects. When the formula worked, as it often did in the 27 years that Krim and Benjamin ran UA, the company produced classics and near classics such as *High Noon*, *The African Queen*, *Marty*, *In the Heat of the Night*, *Last Tango in Paris*, *Midnight Cowboy*, *One Flew Over the Cuckoo's Nest* and *Annie Hall*.

The studio changed ownership in 1967 when Krim and Benjamin exchanged their UA stock for shares in the Transamerica conglomerate (making \$8 million apiece along the way), but the pair—along with the younger executives Pleskow and Bernstein, who joined up in the 1950s, and Medavoy, who came into the fold in 1974 — continued to run the company for Transamerica until 1978. Then, having lost a bid to recast their agreement with the parent company, the quintet bolted UA and started over again. It took them four years

So this is what Mr. Medavoy was doing while I was minding the spreadsheets: Platt tries to stay calm in the presence of an actual film star, Julia Roberts



We three kings of Orion are....: (left to right) Arthur Krim, William Bernstein and Eric Pleskow, 3,000 miles from Hollywood

view with Oliver Stone, whose film *Platoon* was distributed by Orion, in which Stone blasted Hollywood executives as “cock-sucker vampires.” The producer, visiting Orion’s Century City offices shortly after he’d read

the piece, found the studio’s executives “running up and down the halls gleefully going, ‘Look what he’s calling us now!’ It was kind of like, well, you can’t touch these people, because they own everything.” The producer also recalls an instance in which a partner at Orion—the same studio that patted itself on the back for distributing *Mississippi Burning*, a film about the 1964 murders of the civil-rights workers Goodman, Schwerner and Chaney—told him that “the reason we don’t make more black films is the owners of these nice theaters don’t want all these Negroes coming to see the movies.” But a truly sensitive and globally

conscious studio executive knows his movies can do only so much for the world, anyway: “You know what would be more

WHEN ORION IS SOLD AND/OR DISMANTLED, EXPECT A GREAT MEDIA WAILING OVER THE DEMISE OF THE SENSITIVE STUDIO—WOODY’S STUDIO—THAT WAS JUST TOO GOOD TO LIVE IN THE BLOODLESS WORLD OF SUPERCONGLOMERATED MOVIE MAKING

to establish Orion as a studio with its own distribution system, but when Krim, Pleskow, Bernstein and Medavoy finally got the new enterprise under way in 1982 (Benjamin died in 1979), they brought with them a reputation for nimble good judgment, for picking talented producers and directors and allowing them to make idiosyncratic movies that the public usually turned out to want to see. And they also brought Woody Allen with them.

It sometimes seems that Orion’s very existence depends on Allen and the reverence he inspires in Hollywood. Unlike most studios, whose duds are not easily forgiven, Orion has always been able to hush industry criticism of howlers like *Yellowbeard*, *Cheech & Chong’s The Corsican Brothers*, *Lone Wolfe McQuade* and *Starfight One* with a single, casual reference to Allen. Hollywood is cowed by Allen not because of the money his movies make (at \$18.2 million in domestic rentals, *Hannah and Her Sisters* is his most successful effort to date), nor because of his talent for making movies Vincent Canby really, really likes, but largely because of the deal he commands from Krim. Since it’s every Hollywood resident’s dream to make a studio sit up and beg, Allen’s blanket power over every aspect of his productions (*Not happy with the first version of September, Woody? Hey, that’s okay — reshoot the whole thing!*) spellbinds even those who haven’t seen a Woody Allen movie since *Manhattan*.

For Orion, the arrangement with Allen is a more or less financially painless way to maintain the linchpin of the company’s reputation for being a studio that makes important films and reveres its artists. (When Orion is sold and/or dismantled, expect a great media wailing over the demise of the sensitive studio—Woody’s studio—that was just too good to live in the bloodless world of demographics-obsessed, superconglomerated moviemaking.)

It’s worth noting that Orion’s reputation for class and humility has always been a trifle overstated. One producer recalls reading an inter-

viewing to me than winning an Academy Award?,” Medavoy once said to an interviewer. “A true and verifiable missile freeze. I think it would also be more exciting for my partners.”

At the time, 1987, Medavoy could afford to speak glibly about Oscars; Orion movies had earned 18 nominations that year, and the studio was in relatively good shape. Indeed, the company appeared finally to have recaptured the old UA magic. “There are people who call my agent to propose the same deal I have with Orion — just with more money,” said Allen, riding relatively high with *Hannah and Her Sisters* and *Radio Days*. “But you can sleep nights if you have a deal with Arthur Krim.”

Last summer, with Orion’s fortunes sagging and the 81-year-old Krim still at the helm, Allen started making inquiries. *How about the same deal I have with Orion*, he proposed to Disney, *just with more money?* Disney, desperate to acquire a more serious reputation but accustomed to running its pictures with studio spies swarming over the sets and executive hatchet men waiting in the wings, said yes to the money part but no to the part about complete creative control. Allen, needless to say, scurried back to Orion, but not before picking up \$3-million for his shticky, one-note performance in Disney’s horrifically bad *Scenes from a Mall*.

Even though Allen returned to the fold, the

episode demonstrated just how wobbly Orion had become. The studio's managerial ineptitude was wearing out the patience of Kluge, whose Metromedia Inc. had bought nearly 60 percent of Orion in 1988 as a favor to his friend Krim after the company had been buffeted by a series of hostile takeover bids. The options he exercised last fall increased Metromedia's stake to 64 percent, which, depending on how you look at it, represents either an intensifying effort to keep Orion alive or a consolidation of undervalued stock in anticipation of making a killing.

The last five years have not been kind to independent filmmaking companies. Cannon Films, Vestron, Atlantic, Dino De Laurentiis Entertainment Group and New World have all gone under. In the meantime, the big studios have been scooped up by even bigger owners who can afford to pay absurdly high sums for hot scripts and then spend even higher sums on production and marketing. Unable to bid with the big boys or, as in the past, outsmart them, Orion now seems forced to troll for the dregs of the script pile — how else to explain *Madhouse*, with John Larroquette?

Even if the company ponied up the money necessary to compete, Orion would be undone by a failure of *Days of Thunder* proportions, while a studio supported by a gargantuan Japanese entity would simply consider it the cost of doing business. And if Orion becomes the property of a gargantuan Japanese entity, it's still possible that it will be undone: the studio's distribution system and library of more than 800 movies and television episodes could easily be grafted onto another studio or sold off individually.

It's also possible that the Orion name will linger for years, just as United Artists flickered at the end of MGM-UA for nearly a decade until Giancarlo Parretti's Pa the Communications knocked it off last November. UA, it will be remembered, was the studio undone by *Heaven's Gate* in 1981. Although director Michael Cimino was the main culprit, the management of UA took more than a passive hand in the studios destruction: they approved blatantly flawed projects and then panicked when trouble started; they were unable to establish a creative agenda; and they coasted on their studio's fast-tarnishing reputation. In other words, UA was ripe for a *Heavens Gate*. A decade later, so is Orion Pictures. Only this time, Krim and company are still in charge.

Regardless of whom you talk to, the octogenarian Krim, titan of silver-screen history though he may be, is the source of Orion's troubles — either because he's too old to still

VANITY, THY NAME IS JAGUAR

Orion's Fellow Practitioners of the Prestige-vs.-Profit Trade-off

As Orion's majority stockholder, John Kluge is effectively the sponsor of an enormous vanity project: the studio makes him no money, but its support of risk-taking artists—particularly short, nebbishy artists partial to making talky, commercially unsuccessful film homages to Bergman and Chekhov—affords Kluge and the studio incalculable prestige. Below, some vanity projects in other fields.

VANITY PROJECT	SPONSOR	PRESTIGE FACTORS	UNPROFITABILITY
<i>The Atlantic</i> 	Mort Zuckerman	Boston-based; publishes fiction, poetry, think pieces; regular contributions from James Fallows and Conor Cruise O'Brien	Has cost Zuckerman millions since he purchased the magazine in 1980
Jaguar PLC 	Ford Motor Company	Manufactures sleek, sporty cars; design facilities and assembly plants located in England; automobiles popular with physicians	Lost about \$100-million in 1990
The Empire Builder, Amtrak's rail service from Chicago to Seattle 	Amtrak, federal government	Evokes golden age of rail travel and robber-baronage; had an NBC radio program named after it in 1930s; offers stunning views of Montana's Bear Paw Mountains	Customer fares cover only 72 percent of operating expenses; government subsidies make up difference
Philadelphia 	State of Pennsylvania, federal government	Site of signing of Declaration of Independence; good art museum; enormous walk-through replica of human heart at Franklin Institute; Main Line society; houses along Schuylkill River strung with pretty Christmas lights	Financially insolvent; faces \$230 million budget deficit
Philip Roth 	Simon & Schuster	Considered an American treasure; wrote not just a ground-breaking, generation-defining novel but a ground-breaking, generation-defining trilogy; married to Claire Bloom	Was paid \$1.8-million in 1989 to write three new books even though his former publisher paid him only \$160,000 or so per book—and just broke even
Mounted police 	New York City	Appear extremely authoritative; horses are attractive and make pleasant <i>clap-clap</i> sound when performing crowd-control duties at demonstrations; evocative of days when men wore bushy side-whiskers	Are paid same base salary as patrolmen in cars, yet take longer to arrive at scene
Antlers 	Bull moose	Are used to combat competitors and thereby win over does during breeding season	Are shed each winter, after taking as long as four months to grow and weighing as much as 85 pounds

be running things or because he's not in charge and no one with talent has taken his place.

The longtime consensus in Hollywood is that Orion has never lived up to its promise because Krim and Pleskow, the company's 67-year-old chief executive officer, continue to operate out of New York and refuse to cede any power to anyone in Hollywood. Furthermore, Orion has been undercapitalized since its inception, resulting in a seat-of-the-pants management style that raises quick cash but mortgages the company's future. Any new owner, industry observers are now saying, would immediately jettison Orion's management, from Krim on down, and move the company to Los Angeles.

But a producer who has worked with Orion senses that some management power has already flowed to the West Coast, simply by default. Krim, he reports, is more inclined these days to reminisce about old battles and past glories than to lead marketing-strategy sessions for *Bill and Ted's Excellent Adventure II*.

"You want to grab a handkerchief and wipe his chin," the producer says of Krim. "He isn't drooling, but there is a sense of a very old man who is maybe very far out of it."

Because Pleskow's recent ill health has limited his involvement in the day-to-day running of the business, much of Orion's decision-making is now being done by William Bernstein, the 57-year-old executive vice president. Having bragged for years about the number of influential show business lawyers he has trained, Bernstein projects a Bush-like

semblance of competence. The accolades given to *Dances With Wolves* and *The Silence of the Lambs* make the studio a more appealing buy-out target. (A few months ago a representative for Samsung, the Korean electronics company rumored to be interested in buying Orion, dismissed the studio as an "empty can.")

But the studio's greatest hope for survival lies in the story of how it acquired the distribution rights to *Dances With Wolves*. As is inevitably the case these days in any Hollywood tale of big money, important power and brazen coercion, all narrative threads lead to Creative Artists Agency archon Michael Ovitz. When Kevin Costner became disenchanted with the William Morris Agency in early 1988, word reached Ovitz, who wasted no time in courting Costner's business. A year of casual exchanges began, during which it became known that Costner particularly wanted to star in and direct a three-hour western, written by a friend of his, in which Costner and several unknown Native American actors would spend a good deal of time speaking in

authentic Lakota dialect—an idea that would give any

studio the willies. Ovitz asked Costner if he would agree to become part of the CAA family if Ovitz could secure a deal for the actor's pet project. *Sure*, said Costner.

About the same time Ovitz and Costner were negotiating, Orion was in the first phase of its prolonged slump and no doubt flinching at the idea of losing Costner, who had made the hits *Bull Durham* and *No Way Out* for the studio, to someone with a fatter wallet. Suddenly Ovitz hovered into view. He promised Orion future considerations from CAA's roster of stars if Orion would agree to help finance Costner's big, long Indian movie. The studio agreed, perhaps recognizing that if it could get past *Dances* without calamitous results, its prospects might get decidedly sunnier. The deal was struck, CAA added another name to its client list, Costner got to direct, and *Dances* turned out to be a pleasant surprise.

Of course, the studio isn't even close to turning the corner—it would take four or five hits of *Dances With Wolves's* magnitude to do that. But if by some miracle Orion makes it past the swirl of buyout rumors, recapitalizes and finishes 1991 intact, it will be remembered that just when Arthur Krim's friend and protector John Kluge tried to sell the company out from under him, just when Woody Allen picked the worst possible moment to try to skip out, Orion Pictures survived simply by doing Mike Ovitz a favor. 

OVITZ PROMISED ORION FUTURE CONSIDERATIONS FROM CAA'S ROSTER OF STARS

obedience, an impression that he's delighted it's finally, finally his turn to run things after years of loyal service—which only encourages the Hollywood equation of his right-hand man Platt and Dan Quayle.

Before he came to Orion, Platt was a business-affairs lawyer for International Creative Management's superagent Sam Cohn (Cohn is Woody Allen's agent, and Cohn's son, as it happens, was married to Pleskow's daughter during most of the 1980s), laying the essential groundwork of entertainment contacts. He's more politically astute than he lets on, and his utter lack of ideas about movies could serve to reassure insecure artists that he'll stay well clear of their turf.

Anyone requiring proof of Platt's creative bankruptcy need look no further than the 1987 movie *Campus Man*, the sole film-production credit of Orion's current president of film production. In his role as *Campus Man's* executive producer, Platt presided over the laff-packed tale of a scholar at Arizona State University who raises his tuition money by selling beefcake posters of the boys on the ASU diving team. It's the true-life story of Todd Headlee, Platt's associate producer on the project. (Just as Platt has since gone on to distinguish himself at Orion, Headlee managed Milli Vanilli until he was fired last summer, reportedly because he failed to get the fraudulent performers onto *Playgirl* magazine's list of the sexiest male rock stars.)

The jury is still out on how severely the ascension of Bernstein, who may be straying outside his area of expertise, and Platt, who definitely is, will affect Orion's fortunes. But last year's continual firings and easings-out of Orion executives have left those involved in recent Orion projects disgusted. They're furious—the word *imbeciles* tends to crop up in interviews with them—in no small part because the industry's common worker bees don't want to see yet another employer go under, leaving moviemaking further concentrated in the hands of a few huge corporations.

That's not to say that Orion will surely go under. The perennially suspect marketing and advertising departments have finally assumed a